Saving

Rules of the Game: Background Information for Teaching about Saving.

Why save? Saving is one of the basic financial issues for adults and children. Saving helps people acquire assets, plan for their future goals, and prepare for retirement. Few people would argue that saving is a bad idea. However, in recent years, the national personal saving rate in the U. S. has been at one of its lowest levels, approaching 0% of personal disposable income. Many Americans prefer to accumulate debt rather than save for short- and long-term goals.

As you teach your child about saving, keep the following essentials in mind.

- People save to satisfy future wants.
- A **want** is a desire that can be satisfied by consuming a good or service.
- When people save, they incur an opportunity cost. **Opportunity cost** is the highest valued forgone alternative. For example, if a child saves a dollar to buy a bike in the future, the opportunity cost is the thing(s) the child would have bought with the dollar today.
- When people save, they trade off things today for things tomorrow.
- When people spend, they trade off things tomorrow for things today.
- **Interest** is income people receive for allowing the bank or someone else to use their money.
- **Interest earnings** help savers save more.
- **Interest earnings** provide an incentive to savers.
- People have **short-term** and **long-term** goals.
- **Short-term** goals are things people want within one year.
- **Long-term** goals are things people plan to get after one year.
- Developing a **saving plan** will help people achieve savings goals.

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